

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Wednesday, August 28, 2002, 1:00 p.m.
Utah Association of Counties Training Room

A G E N D A

1:00	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of 2003 General Budget	Shawn Guzman
	Audit Committee Recommendations, Number 4 & 5	Tex Olsen
	Approval of 2003 Administrative Budget	Brent Gardner
	Set 2003 Member Premium Contributions	Shawn Guzman
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	
	Other Business	
5:00	Adjourn	

UACIM BOARD of TRUSTEES MEETING

MINUTES

August 28, 2002, 1:00 p.m.

Utah Association of Counties Training Room

BOARD MEMBERS PRESENT

Gary Herbert, President, Utah County Commissioner
Dan McConkie, *Vice President*, Davis County Commissioner
Lynn Lemon, *Secretary-Treasurer*, Cache County Executive
Steve Baker, Davis County Personnel Director
Kay Blackwell, Piute County Commissioner
LaVar Cox, Millard County Commissioner
Royal Norman, Box Elder County Commissioner
Ed Phillips, Millard County Sheriff
Tex Olsen, Sevier County Commissioner
Gene Roundy, Iron County Commissioner
Kent Sundberg, Utah County Deputy Attorney
Steve Wall, Sevier County Clerk-Auditor

MEMBERS PRESENT

Jim Eardley, Washington County Commissioner

OTHERS PRESENT

Brent Gardner, UAC Executive Director
Shawn Guzman, UACIM Director
Sonya White, UACIM Administration
John Chino, Arthur J. Gallagher

CALL to ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

REVIEW of BOARD MEMBERS ABSENT

All Board Members were present at this meeting.

RISK MANAGEMENT PROPOSAL

Shawn Guzman requested that the Board add the agenda item, Risk Management Proposal, for John Chino to present Arthur J. Gallagher & Company's 2003 program proposal. The Board allowed the item and John Chino reviewed the proposal with the Board (see attachment #1). John directed the Board's attention to page one, the Executive Summary, that states: *These indications are subject to review (and change) based on receipt of current information available after November 1, 2002.* This proposal is a quotation, the premiums given are not firm, not bindable and there is the possibility that premiums could go up or down depending on the market and any additional exposures the Mutual may incur in the next two months. The Mutual's Exposure Comparison is shown on page five which is the main criteria basis for this quotation. In the area of gross expenditures and law enforcement, these exposures have increased substantially and may have been overstated by some counties. The Mutual staff will research these areas prior to November 1 to clarify. Another criteria affecting the quotation are the incurred losses. This analysis is shown on page seven, which unfortunate for the Mutual, 2001 was included in the rating scenario—a bad year for losses.

Page 10 details the limits, premium, terms and conditions of the casualty quote obtained by American Reinsurance Company, the only carrier offering a quote at this time. Casualty is third-party liability reinsurance that the Mutual purchases above the \$150,000 self-insured retention. A chart showing the structure of the program with these limits is displayed on page 11. The underwriters have set the 2003 attachment point at \$2.3 million, up \$500,000 from 2002. For the property program, Travelers is offering four options with premiums ranging from \$491,692 to \$655,589 depending on the limits, sublimits and Flood Zone A coverage, which John reviewed with the Board, pages 13-16. Flood and earthquake limits have the largest impact on premiums. The crime coverage is detailed on page 18 but Shawn has requested that John negotiate a \$1,000,000 limit to eliminate the need of those counties who participate in the additional bond program. Shawn explained that legislation is being drafted regarding the requirement to purchase separate bonds. Boiler and Machinery coverage, page 20, is a joint purchase policy that Gallagher obtains quotations for the Mutual and is not part of the Coverage Agreement because mechanical breakdown is excluded. Finally the cost summary proposal is described on page 24. The insurance industry continues to experience a hard market, which is driving up premiums.

SET 2003 MEMBER PREMIUM CONTRIBUTIONS

Shawn Guzman explained that he met with the Mutual's actuary, Glen Taylor, as soon as he was notified that the underwriters set the attachment point at \$2.3 million. Glen determined that in his most conservative scenarios, a \$2,000,000 attachment point would be more accurate for the Mutual, which has always trended below the set attachment point for the last seven years. Shawn has requested that John Chino relay this determination to the reinsurance underwriters in an effort to negotiate the \$2.3 million down. Shawn's recommendation regarding the property premiums are to keep the limits level throughout the membership. This recommendation would eliminate the first two lower quotations in which Box Elder, Davis and Weber Counties would have different limits for earthquake. The Board agreed that the risk should be shared so either the coverage should be eliminated or purchased at the same limits for all member counties. Shawn was told by the underwriters during their meeting in Chicago that some states do not purchase flood and earthquake coverage and only rely on the National Flood Insurance Program. The Board directed John Chino to obtain a property quote from Travelers with earthquake eliminated. Shawn explained that additional options and quotes are being negotiated for member properties located in Flood Zone A. The Board will need to decide how to handle an additional premium once the options and quotes are provided. Shawn has researched other options that may lower premiums such as the possibility of the Mutual accepting more of the risk by raising the self-insured retention (SIR) but found that the difference in premium was not significant. Therefore, Shawn agrees with Gallagher's recommendation that the Board approve the property reinsurance coverage limits, listed on page 13 of the proposal, at a premium of \$655,589, for its 2003 program.

A premium scenario sheet, showing three options based on a loss fund amount (attachment point) of \$2,000,000 and the reinsurance quotation of \$655,589, was prepared for the Board (see attachment #2). Option one calculation would fully fund the 2003 program (no caps) at an average 19% premium (\$856,443) increase for the members. Option two, uses the capping system approved for the 2002 premium contributions (100% property) would increase the member's premium at an average of 9% or \$353,907. Option three uses an overall seven percent cap (except 100% property) for an average increase in member premiums of 16% or \$699,136. These options do not include any interest income. The recommended option, by the Mutual Director and Gallagher, is option two, which would be the most viable although \$502,000 less of the loss fund would be collected. Under funding by this amount will still give the Mutual a 75% confidence factor. The built-up surplus can help level off increases and would only be used if losses reach the SIR. Gene Roundy made a motion to approve option two for the 2003 premium calculations. Dan McConkie seconded the motion, which passed unanimously. The Board approved the premium amounts that will be sent to each member in September, although, as Shawn reiterated, the Board has yet to adopt the final budgets and reinsurance premiums will not be firm until November.

AUDIT COMMITTEE RECOMMENDATIONS, NUMBER 4 & 5

Tex Olsen explained that in working with the Utah Association of Counties (UAC) to manage the administrative budget of the Mutual, an accounting fund of \$457,000, less than what was budgeted, has accumulated. There are several influences that may solve separation issues between the two entities. The Mutual Board should have been advised, from the manager of its expenses, that it may be losing money for its members because the operating budget is not being spent. Some members of UAC, that are not members of the Mutual, may consider that UAC is subsidizing the Mutual and some of the members of the Mutual may look at the Insurance Mutual Transaction Fund balance and consider the Mutual to be subsidizing UAC. Brent Gardner has been doing a good job for the Mutual but his

responsibility lies with UAC. Although Brent told the Mutual Board that he personally had no problem with an audit of the Insurance Mutual Transaction Fund he explained that the UAC Board would still have to approve an audit. The Audit Committee members agree that their original recommendations 4 and 5, presented at the June 27 meeting (see attachment #3), now need to be taken a step further. Therefore, it is the recommendation of the Audit Committee that the management of all actual expenses be transferred to the Insurance Mutual and all other services that the Mutual contracts for will be non-interfering. It is recommended by the Audit Committee that the employees who service the Mutual, Shawn Guzman, Sonya White and Mark Brady, be transferred and classified as employees of the Mutual. Dan McConkie expressed that these employees have an allegiance to UAC. The Mutual can't just take these employees away from UAC. Tex explained it is easier to recommend a reorganization using existing employees and just switching their allegiance from one organization to the other. The UAC Board is just as anxious as the Mutual Board to solve the issues. Kent Sundberg explained that the Mutual is a separate entity and it's time that the Mutual Board has the authority to conduct all business without taking it before the UAC Board of Directors.

SET DATE and TIME for CLOSED MEETING

Tex Olsen made a motion to set the date and time for a closed meeting to discuss the character, professional competence, physical or mental health of an individual to begin at 2:55 p.m. on August 28, 2002. Ed Phillips seconded the motion, which passed unanimously.

Kay Blackwell made a motion to conclude the closed meeting at 5:25 p.m. on August 28, 2002. Lynn Lemon seconded the motion, which passed unanimously.

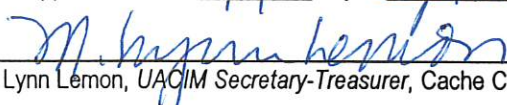
APPROVAL of the 2003 GENERAL BUDGET

Kent Sundberg made a motion that all line items, listed in the 2002 administrative budget, are transferred to the 2003 general budget for administration by the Mutual and that a line item be added that will include the expenses paid to UAC (see attachment #4). Expenses paid to UAC will include: an administrative fee of \$5,000, a building debt service fee of \$87,000 (which is 47% of the annual debt service for the Mutual and McLarens and for which same percentage of the building is owned by the Mutual), a building maintenance and operation fee of \$12,000 and a building repairs fee of \$5,634. Steve Wall seconded the motion, which passed unanimously. Tex Olsen added that the 47% (based on square footage used by the Mutual and McLarens) is another item he would like to see resolved, i.e., is that percentage calculated correctly? Also, Brent confirmed that all building reserve monies accumulated for the last two years will be returned to the Mutual.

OTHER BUSINESS

At the beginning of this meeting, Gary Herbert gave a brief update on the progress of the audit of the Insurance Mutual Transaction Fund. The UACIM Board of Trustees approved this audit at its August 8, 2002 Board meeting. The UAC Executive Committee held a telephonic conference authorizing the audit of the Insurance Mutual Transaction Fund and authorizing Robison, Hill & Company to cooperate with Larson & Company during the audit process. The Trustees are scheduled to hear the audit report at its September 19 Board meeting. Gary asked that this item and an item to redefine the process, structure and timing of the relationship between UAC and the Mutual. Shawn Guzman stated that Larson and Company has not been given authorization to begin the audit and therefore may not have a report ready for the Board on the 19th. Gary asked Shawn why Larson and Company had not been notified. Shawn explained that no one from UAC had informed him, Sonya White or Larson and Company of the authorization—he was not involved in the UAC Executive Committee telephonic conference. Gary directed Shawn to give Larson and Company verbal authorization to begin the audit immediately so that a report can be given to the Board on the 19th. Shawn will call the auditors immediately.

Approved on this 19 day of September, 2002


Lynn Lemon, UACIM Secretary-Treasurer, Cache County Executive



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

RISK MANAGEMENT PROPOSAL

JANUARY 1, 2003

Date Presented: August 26, 2002

Presented by:

**Rich Stokluska, ARM
Vice President**

**John Chino
Vice President**

**Arthur J. Gallagher & Co.
The Gallagher Centre
Two Pierce Place
Itasca, IL 60143
(630) 773-3800
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www.ajg.com**

This proposal is a matter of information only and does not amend, extend, or alter the coverage provided by the actual insurance policies.



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

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**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

EXECUTIVE SUMMARY

Arthur J. Gallagher & Co. is pleased to present the renewal terms and conditions to the Utah Association of Counties Insurance Mutual for January 1, 2003 program year. Enclosed for your review is a summary of our marketing results from the various insurance companies offering quotations this year.

The total program costs have increased rather significantly over last year's costs. The primary reason for the increases is the state of the insurance industry. Although the marketplace was changing at this time last year, the terms and conditions presented to the Mutual were pre-September 11th. In spite of those tragic events, Arthur J. Gallagher & Co. managed to maintain and secure those terms and conditions when many insurance companies were withdrawing from the marketplace in an attempt to deal with the aftermath of the terrorists' attacks.

Due to the state of the insurance industry, many companies are refusing to provide firm quotations more than 30 days in advance of the policyholders' expiration date. We have been able to obtain indications, or cost estimates, for the upcoming year in order to meet pre-established obligations that exist between the Mutual and its members. These indications are subject to review (and change) based on receipt of current information available after November 1, 2002. We will coordinate these requests for information in a timely manner with the assistance of the Mutual's staff and ask that all of our underwriters notify us immediately of any changes to these indications.

On behalf of the entire Gallagher team, we would like to extend our sincere appreciation to the Mutual, its executive board, and all of the member counties for allowing us the opportunity to be of service to your organization. We look forward to continuing our long-standing relationship for many years to come.



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

**ARTHUR J. GALLAGHER & CO.
Client Commitment ... The Gallagher Way**

Managing our client's risks is our highest commitment.

We try to anticipate our client's needs in advance.

We seek to understand the client's business, not just our own.

We always recommend that which is in the client's best interest, even if it diminishes our revenues.

We lead our clients to ever more effective risk management techniques.

We seek long-term relationships, not quick profits.

Getting the order is only the beginning of our commitment, not the end.

We never promise what we cannot produce.

Honesty and integrity are paramount. If we make a mistake, we admit it, and we make it right.

Every client, large or small, has full access to all of our expertise and capability.



***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL***

STATISTICAL INFORMATION



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

LIST OF MEMBERS

Beaver
Box Elder
Cache
Carbon
Daggett
Davis
Duchesne
Emery
Garfield
Grand
Iron
Juab
Kane
Millard
Piute
Rich
San Juan
San Pete
Sevier
Uintah
Utah
Wasatch
Washington
Wayne
Weber



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

EXPOSURE COMPARISON

General Liability:

	Expiring	Renewal	%
Gross Operating Expenditures	\$407,640,165	\$463,795,869	+13.77%
Streets	28,584	28,419	-0.6%
Parks	46	48	+4.3%
Golf Receipts	1,520,279	1,722,283	+13.3%
Stadium Receipts	116,556	269,190	+131.0%
Number of Zoos	1	1	+0.0%
EMT's/Paramedics			
Full-time	32	34	+6.3%
Part-time	405	401	-1.0%
Volunteers			
Full-time	0	0	0.0%
Part-time	280	259	-7.5%
Number of Nurses	41	40	-2.4%
Number of Employees	4,311	4,310	+0.0%

Law Enforcement:

	Expiring	Renewal	%
Number of Officers			
Number of Full-time	641	612	-4.5%
Number of Part-time	89	171	+92.1%
Number of Jailers			
Number of Full-time	730	656	-10.1%
Number of Part-time	40	48	+20.0%



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

EXPOSURE COMPARISON

Automobile Liability :

	Expiring	Renewal	%
Sheriff's Cars	974	913	-6.3%
Fire Cars	96	151	+57.3%
Private Passenger	298	327	+9.7%
Vans/Pickups/Light Trucks	761	917	+20.5%
Medium Truck	166	179	+7.8%
Heavy Trucks	332	391	+17.8%
Fire Trucks	150	99	-34.0%
Buses	27	35	+29.6%
Ambulances	97	104	+7.2%
ATV's	103	112	+8.7%
Total	3,004	3,228	+7.5%

Property:

	Expiring	Renewal	%
Total Insurance Values	\$752,344,238	\$775,100,937	3.0%



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

TOTAL INCURRED LOSS ANALYSIS

Valued as of 6/30/2002

	1997	1998	1999	2000	2001	2001	Total	Average ⁽¹⁾
Property	\$89,421	\$122,548	\$170,894	\$62,753	\$221,793	\$58,220	\$725,629	\$131,933
Auto Physical Damage	138,165	350,162	275,347	171,996	241,984	58,180	1,235,834	224,697
Auto Liability	231,458	326,746	129,279	143,948	458,161	32,140	1,321,732	240,315
General Liability	80,276	231,761	124,364	122,172	103,017	6,665	668,255	121,501
Errors & Omissions	522,989	312,346	718,396	270,811	219,843	118,000	2,162,385	393,161
Crime	0	0	0	705	571	0	1,276	232
Total	\$1,062,309	\$1,343,563	\$1,418,280	\$772,385	\$1,245,369	\$273,205	\$6,115,111	\$1,111,839



⁽¹⁾ Average losses for five years and six months (66 months ÷ total x 12 months = average).

***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL***

COVERAGE SUMMARY



***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL***

CASUALTY



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

CASUALTY

Coverage: Third-party Liability including bodily injury, property damage, and personal injury, exclusive of a \$250,000 self-insured retention

Company: American Reinsurance Co.

Form: Occurrence except for Public Officials' Liability which is claims-made

Loss Fund: \$2,300,000

Aggregate Excess Protection: \$2,000,000

Premium: \$790,000

Coverage Parts	Limit	Terms
General Liability	\$2,000,000 \$3,000,000	Per occurrence Aggregate per member
Law Enforcement Liability	\$2,000,000 Included	Per occurrence Aggregate per member
Employee Benefits Liability	\$2,000,000 Included	Per occurrence General aggregate per member
Automobile Liability	\$2,000,000	Per occurrence
Auto Medical Payments	\$5,000	Per person
Uninsured Motorists	Statutory	Per occurrence
Underinsured Motorists	Statutory	Per occurrence
Public Officials' Liability	\$2,000,000 \$2,000,000	Per occurrence General aggregate per member

Terms and Conditions:

- Note that **Nonbinding indications** are subject to receipt of updated underwriting information within 60 days of natural inception date.
- Terrorism/Mold excluded entirely. Please advise if you would like us to approach underwriters for a quote to include Terrorism.
- Terms indicated are subject to change based upon exposure adjustments, deterioration in loss experience or any other factor that may have an impact on underwriters' assessment of this risk.
- Please provide loss runs (the single page McLarens summary sheets) for the past six years at June 30th of each year. Also, please note the quote is subject to receipt of Flood Zones A + V TIV (they need this to assess their Flood exposure to the loss fund).



***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL***

PROPERTY



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

PROPERTY

Perils:	All Risk, including Flood and Earthquake except as sublimited below
Company:	Travelers Insurance Company
Coverage:	Real and Personal Property, including Auto Physical Damage
Policy Limit:	\$250,000,000 Excess of \$150,000 Self-insured Retention except for Earthquake which is 2% of the location limit or a minimum of \$150,000
Sublimits:	<ul style="list-style-type: none">\$20,000,000 Earthquake (annual aggregate)\$20,000,000 Flood (annual aggregate)\$2,000,000 Flood (annual aggregate) Zone A\$5,000,000 Builders' Risk (90 days reporting)\$5,000,000 Ordinance or Law in any one loss\$5,000,000 Debris Removal or 25% of loss, whichever is less\$1,000,000 Newly Acquired Property (90 days reporting)\$10,000,000 Mobile Equipment in any one loss\$10,431,700 Valuable Papers in any one loss\$1,250,000 Fine Arts in any one loss\$2,500,000 Accounts Receivable in any one loss\$1,000,000 Extra Expense per member (\$25,000,000 maximum)\$1,000,000 Errors & Omissions in any one loss\$10,000,000 Data Processing Equipment and Media in any one loss\$1,250,000 Data Processing Extra Expense in any one loss\$10,000,000 Vehicles in any one loss ACV basis – no over the road\$250,000 Pollutant Cleanup annual aggregate\$15,000 Fungus (\$100,000 aggregate)
	All sublimits are per occurrence unless otherwise noted.
Deductible:	\$150,000 Self-insured Retention except Earthquake which is 2% of the location limit or a minimum of \$150,000
Cancellation:	60-days' notice of cancellation applies except 10 days for nonpayment of premium.
Valuation:	Repair or replacement basis as outlined in the policy form except for auto physical damage and mobile equipment which is actual cash value.
Premium:	\$655,589



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

PROPERTY

Perils:	All Risk, including Flood and Earthquake except as sublimited below
Company:	Travelers Insurance Company
Coverage:	Real and Personal Property, including Auto Physical Damage
Policy Limit:	\$250,000,000 Excess of \$150,000 Self-insured Retention except for Earthquake which is 2% of the location limit or a minimum of \$150,000
Sublimits:	<ul style="list-style-type: none">\$20,000,000 Earthquake (annual aggregate)\$20,000,000 Flood (annual aggregate)\$2,000,000 Flood (annual aggregate) Zone A\$5,000,000 Builders' Risk (90 days reporting)\$5,000,000 Ordinance or Law in any one loss\$5,000,000 Debris Removal or 25% of loss, whichever is less\$1,000,000 Newly Acquired Property (90 days reporting)\$10,000,000 Mobile Equipment in any one loss\$10,431,700 Valuable Papers in any one loss\$1,250,000 Fine Arts in any one loss\$2,500,000 Accounts Receivable in any one loss\$1,000,000 Extra Expense per member (\$25,000,000 maximum)\$1,000,000 Errors & Omissions in any one lossData Processing Equipment and Media in any one loss\$1,250,000 Data Processing Extra Expense in any one loss\$10,000,000 Vehicles in any one loss ACV basis – no over the road\$250,000 Pollutant Cleanup annual aggregate\$15,000 Fungus (\$100,000 aggregate)
	All sublimits are per occurrence unless otherwise noted.
Deductible:	\$250,000 Self-insured Retention except Earthquake which is 2% of the location limit or a minimum of \$150,000
Cancellation:	60-days' notice of cancellation applies except 10 days for nonpayment of premium.
Valuation:	Repair or replacement basis as outlined in the policy form except for auto physical damage and mobile equipment which is actual cash value.
Premium:	\$614,615



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

PROPERTY

Perils: All Risk, including Flood and Earthquake except as sublimited below

Company: Travelers Insurance Company

Coverage: Real and Personal Property, including Auto Physical Damage

Policy Limit: \$250,000,000 Excess of \$150,000 Self-insured Retention except for Earthquake which is 2% of the location limit or a minimum of \$150,000

Sublimits:

- \$10,000,000 Earthquake (annual aggregate) except
- \$5,000,000 Earthquake (annual aggregate) for Box Elder, Davis, and Weber Counties
- \$10,000,000 Flood (annual aggregate)
- \$5,000,000 Builders' Risk (90 days reporting)
- \$5,000,000 Ordinance or Law in any one loss
- \$5,000,000 Debris Removal or 25% of loss, whichever is less
- \$1,000,000 Newly Acquired Property (90 days reporting)
- \$10,000,000 Mobile Equipment in any one loss
- \$10,431,700 Valuable Papers in any one loss
- \$1,250,000 Fine Arts in any one loss
- \$2,500,000 Accounts Receivable in any one loss
- \$1,000,000 Extra Expense per member (\$25,000,000 maximum)
- \$1,000,000 Errors & Omissions in any one loss
- \$10,000,000 Data Processing Equipment and Media in any one loss
- \$1,250,000 Data Processing Extra Expense in any one loss
- \$10,000,000 Vehicles in any one loss ACV basis – no over the road
- \$250,000 Pollutant Cleanup annual aggregate
- \$15,000 Fungus (\$100,000 aggregate)

All sublimits are per occurrence unless otherwise noted.

Deductible: \$150,000 Self-insured Retention except Earthquake which is 2% of the location limit or a minimum of \$150,000

Cancellation: 60-days' notice of cancellation applies except 10 days for nonpayment of premium.

Valuation: Repair or replacement basis as outlined in the policy form except for auto physical damage and mobile equipment which is actual cash value.

Premium: \$590,030



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

PROPERTY

Perils: All Risk, including Flood and Earthquake except as sublimited below

Company: Travelers Insurance Company

Coverage: Real and Personal Property, including Auto Physical Damage

Policy Limit: \$250,000,000 Excess of \$150,000 Self-insured Retention except for Earthquake which is 2% of the location limit or a minimum of \$150,000

Sublimits:

- \$10,000,000 Earthquake (annual aggregate) except
- \$5,000,000 Earthquake (annual aggregate) for Box Elder, Davis, and Weber Counties
- \$10,000,000 Flood (annual aggregate)
- \$5,000,000 Builders' Risk (90 days reporting)
- \$5,000,000 Ordinance or Law in any one loss
- \$5,000,000 Debris Removal or 25% of loss, whichever is less
- \$1,000,000 Newly Acquired Property (90 days reporting)
- \$10,000,000 Mobile Equipment in any one loss
- \$10,431,700 Valuable Papers in any one loss
- \$1,250,000 Fine Arts in any one loss
- \$2,500,000 Accounts Receivable in any one loss
- \$1,000,000 Extra Expense per member (\$25,000,000 maximum)
- \$1,000,000 Errors & Omissions in any one loss
- \$10,000,000 Data Processing Equipment and Media in any one loss
- \$1,250,000 Data Processing Extra Expense in any one loss
- \$10,000,000 Vehicles in any one loss ACV basis – no over the road
- \$250,000 Pollutant Cleanup annual aggregate
- \$15,000 Fungus (\$100,000 aggregate)

All sublimits are per occurrence unless otherwise noted.

Deductible: \$250,000 Self-insured Retention except Earthquake which is 2% of the location limit or a minimum of \$150,000

Cancellation: 60-days' notice of cancellation applies except 10 days for nonpayment of premium.

Valuation: Repair or replacement basis as outlined in the policy form except for auto physical damage and mobile equipment which is actual cash value.

Premium: \$491,692



***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL***

CRIME



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

CRIME COVERAGE

Coverage: Crime and Employee Dishonesty
Company: Travelers Insurance Company
Coverage Parts: See below

Form	Limit	Terms
Money and Securities (Within premises)	\$150,000	Each and every loss excess of the self-insured retention
Money and Securities (Outside premises)	\$150,000	Each and every loss excess of the self-insured retention
Commercial Blanket Bond	\$150,000	Each and every loss excess of the self-insured retention – excludes employees known to have committed fraudulent or dishonest acts.
Depositors' Forgery	\$150,000	Each and every loss excess of the self-insured retention
Self-insured Retention	\$150,000	Per occurrence
Member Deductible	\$500	Per occurrence
Premium	\$5,060	

Notes:

- The reporting period for crime losses is one year from expiration.
- Faithful performance is included in the Commercial Blanket Bond.



***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL***

BOILER & MACHINERY



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

BOILER & MACHINERY
Travelers Insurance Co.

Limit:	\$50,000,000
Sublimits:	
Expediting Expenses	Policy limit
Ammonia Contamination	Policy limit
Water Damage	Policy limit
Hazardous Substance	\$2,000,000
Demolition/Increased Cost	\$1,000,000
Media	\$500,000
Statistical, Accounting, and Management	Policy limit
Computer Equipment	
Broad Comprehensive coverage, including certain electronic control equipment	Yes
Repair or Replacement:	Yes
Business Interruption:	Policy limit
Extra Expense:	Policy limit
Refrigeration Interruption:	Policy limit, four-hour waiting period
Service Interruption:	Policy limit excludes property perils, four-hour waiting period
Location Insured:	All
Special Provisions:	
Joint Loss Agreement	Yes
Connected Ready for Use	Waived
Earthquake	Excluded
Explosion Exclusion	Modified
Lightning Exclusion	Applicable, if covered elsewhere
Property Perils Exclusions	Included
(Frost, freeze, flood, ice, snow, sleet, hail, windstorm, etc.)	
Automatic Coverage for New Locations	
Deductible:	365 days for direct damage, indirect damage – policy limits
Premium:	\$1,000
	\$35,067



***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL***

BROKERAGE SERVICES



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

BROKERAGE SERVICES

Arthur J. Gallagher & Co. receives from UACIM an annual fee for providing brokerage services to the membership for the placement of the Excess Property, Liability, Automobile, Law Enforcement, and Public Officials' Liability coverages. The 2003 fee is \$80,000, which is the same as last year.

The services that Arthur J. Gallagher & Co. provides to UACIM as a whole, and to individual member counties include, but are not limited to, the following:

- Provide information regarding insurance markets from the standpoint of cost, service, coverage, and security;
- Keep client informed of changes in insurance market conditions that may affect the insurance program;
- Coordinate and develop renewal information with client;
- Assist in the preparation of materials, specifications, and underwriting data required by insurers;
- Market required insurance coverages;
- Prepare and present formal annual renewal presentation to client;
- Place coverage as instructed by client;
- Review the accuracy and adequacy of all policies, policy endorsements, and invoices prior to delivery;
- Assist client in the design of policy forms as needed;
- Issue binders, certificates of insurance, and other coverage verification documents as required;
- Present policy coverage questions to underwriters;
- Assist in obtaining settlements from insurers for losses that penetrate excess insurance layers;
- Act as liaison with insurance companies and McLarens-Toplis, Inc.;
- Be available to answer day-to-day questions from member counties; and
- Attend client meetings when requested.



UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL

2003 PROGRAM YEAR
Cost Summary

Description	Expiring	Renewal	Insurer/Provider
Casualty (Third-party Liability)	\$580,000	\$790,000	American Reinsurance Company
Property	451,406	655,589	Travelers Insurance Company
Crime/Employee Dishonesty	4,008	5,060	Travelers Insurance Company
Boiler & Machinery	29,245	35,067	Travelers Insurance Company
Brokerage Fee	80,000	80,000	Arthur J. Gallagher & Co.
Total Fixed Costs	\$1,144,659	\$1,565,716	
Loss Fund (Attachment Point)	1,850,000	2,300,000	American Reinsurance Company
Total Program Costs	\$2,994,659	\$3,865,716	



***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL***

Arthur J. Gallagher & Co. uses A.M. Best & Co.'s rating services to evaluate the financial condition of insurers whose policies we propose to deliver. The rating of the carrier and the year of publication of that rating are indicated. Arthur J. Gallagher & Co. makes no representations and warranties concerning the solvency of any carrier, nor does it make any representation or warranty concerning the rating of the carrier which may change.



***UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL***

ACTUARIAL DISCLAIMER



**UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
2003 RISK MANAGEMENT PROPOSAL**

ACTUARIAL DISCLAIMER

The information contained in this proposal is based upon the historical loss experience and exposures that were provided to Arthur J. Gallagher & Co. This proposal is not an actuarial study. Should you wish to have this proposal reviewed by an accredited actuary for accuracy of loss projections, adequacy of retention or insurance limits, or for recommended methods of funding or funding levels, we will be pleased to provide a listing of actuaries for this purpose.

In addition to the fee and/or commissions retained by Arthur J. Gallagher & Co., it is understood and agreed that other parties, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, underwriting managers and similar parties, some of which may be owned in whole or in part by Arthur J. Gallagher & Co., may earn and retain usual and customary commissions and/or fees in the course of providing insurance products. Any such fees and/or commissions will be the responsibility of the client and not Arthur J. Gallagher & Co.



2003 PREMIUM
FORMULA CALCULATION SCENARIOS

\$2,000,000 LOSS FUND												
COUNTY	OPTION 1 (Fully Funded)			OPTION 2			OPTION 3			2002 PREMIUM w/o caps (fully fund)	2002 PREMIUM collected w/caps	
	2003 PREMIUM '02 formula w/o caps	VARIANCE vs. '02 charged	INCREASE	2003 PREMIUM '02 formula w/caps	VARIANCE vs. '02 charged	INCREASE	2003 PREMIUM 7% overall cap + 100% property	VARIANCE vs. '02 charged	INCREASE			
Beaver	76,754	8,558	11%	73,398	5,202	7%	63,956	76,754	8,558	11%	67,196	68,196
Box Elder	151,302	-13,685	-9%	163,346	-1,642	-1%	153,438	181,012	16,024	9%	120,318	164,987
Cache	212,229	25,158	12%	202,783	15,712	8%	185,491	212,229	25,158	12%	178,626	187,070
Carbon	223,899	127,946	57%	113,457	17,504	15%	102,670	126,474	30,521	24%	130,771	95,953
Daggett	42,941	6,288	15%	42,549	5,896	14%	34,087	43,870	7,217	16%	32,628	36,653
Davis	470,103	38,907	8%	442,582	11,385	3%	404,048	470,103	38,907	8%	449,772	431,197
Duchesne	98,671	-15,482	-16%	96,219	-17,933	-19%	106,162	109,077	-5,075	-5%	101,236	114,153
Emery	129,832	-28,488	-22%	166,575	8,254	5%	147,238	177,099	18,779	11%	114,272	158,320
Garfield	55,375	-9,295	-17%	69,724	5,054	7%	60,143	74,356	9,686	13%	49,084	64,670
Grand	100,874	19,716	20%	94,146	12,987	14%	85,521	100,874	19,716	20%	78,372	81,159
Iron	135,027	-3,698	-3%	140,706	1,982	1%	129,014	153,625	14,900	10%	125,183	138,724
Juab	139,699	36,014	26%	117,542	13,857	12%	110,943	124,781	21,096	17%	118,277	103,685
Kane	91,062	22,770	25%	76,705	8,413	11%	73,072	77,912	9,620	12%	86,555	68,292
Millard	159,475	30,030	19%	148,238	18,794	13%	136,064	159,475	30,030	19%	139,439	129,444
Piute	25,024	3,545	14%	26,000	4,521	17%	21,660	25,024	3,545	14%	19,389	21,479
Rich	57,964	21,033	36%	43,213	6,281	15%	39,517	42,024	5,092	12%	54,844	36,931
San Juan	177,156	27,241	15%	168,311	18,396	11%	156,367	177,156	27,241	15%	152,005	149,915
Sanpete	77,556	-1,759	-2%	84,471	5,156	6%	73,763	88,468	9,153	10%	54,873	79,315
Sevier	88,391	14,361	16%	83,439	9,409	11%	69,705	88,391	14,361	16%	68,443	74,030
Uintah	183,399	-1,122	-1%	187,727	3,206	2%	171,605	206,141	21,620	10%	180,809	184,522
Utah	508,932	93,981	18%	471,889	56,938	12%	429,002	508,932	93,981	18%	418,364	414,951
Wasatch	311,287	153,044	49%	180,837	22,594	12%	169,321	197,767	39,523	20%	274,937	158,244
Washington	262,103	78,695	30%	237,897	54,489	23%	196,247	253,271	69,862	28%	185,711	183,409
Wayne	37,764	-1,249	-3%	41,644	2,631	6%	36,283	39,595	582	1%	39,580	39,014
Weber	616,447	223,934	36%	457,334	64,821	14%	419,989	561,553	169,040	30%	545,534	392,513
TOTALS	4,433,268	856,443	19%	3,930,732	353,907	9%	3,575,305	4,275,961	699,136	16%	3,786,218	3,576,825

RECOMMENDATIONS OF UAC INSURANCE MUTUAL
AUDIT COMMITTEE

The UAC Insurance Mutual Committee met on May 29, 2002 with UACIM's contract actuary and accountant. Discussions were held and recommendations were made, particularly by the contract accountant, concerning internal financial controls and other budgetary matters. Based on those recommendations, the audit committee makes the following recommendations:

1. Internal control changes.
 - a. Shawn Guzman be authorized to sign claims checks along with Korby Siggard (replacing Brent Gardner's signature.)
 - b. Shawn Guzman be one of the four individuals authorized to sign administrative expense checks.
2. That an audit be conducted by Larson & Company of the "Insurance Mutual Transaction Fund" on UAC's books.
3. That UAC provide UACIM monthly reports of the UACIM Administrative Budget.
4. That several line items be eliminated from the UACIM Administrative Budget with the corresponding amounts for those line items being transferred to the UACIM budget. (Leaving primarily only rent and salary related line items in the UACIM Administrative Budget.)
5. That there be a more distinct clarification of the relationship between UAC and UACIM.

2003 PROPOSED GENERAL BUDGET
(Administered by UACIM)

REVENUE	2003 BUDGET
Premiums Written	3,930,732
Investment Income	240,000
Miscellaneous Income	262,536
Total Revenue	4,433,268
LOSSES AND LOSS EXPENSES	
Losses	2,000,000
Claims Management Expenses	242,278
Reinsurance (Liability = 790,000, Property = 700,656)	1,490,656
Loss Adjustments for Previous Years	0
Total Loss Expenses	3,732,934
ADMINISTRATION EXPENSES	
Auto Expenses	7,500
Broker Fees	80,000
Board Expenses	10,000
Copying Costs	1,500
Data Processing	4,000
Dues, Subscriptions	1,500
Expenses Paid to UAC	62,260
Loss Control / Training	14,000
Office Supplies	3,000
Other Expenses	48,300
Other Insurance	2,000
Postage	3,000
Professional Fees	30,255
Printing	1,000
Staff Expenses	17,500
Staff Salaries	182,137
Staff Retirement	40,580
Staff FICA	14,304
Staff Medical Insurance	32,340
Telephone	5,500
Total Administration Expenses	560,676
Total Losses and Expenses	4,293,610
NET INCOME	139,658


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(Administered by UACIM)

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Premiums Written	3,930,732
Investment Income	240,000
Miscellaneous Income	262,536
Total Revenue	4,433,268
LOSSES AND LOSS EXPENSES	
Losses	2,000,000
Claims Management Expenses	242,278 ✓
Reinsurance (Liability = 790,000, Property = 700,656) <i>695,716</i>	1,490,656 <i>1485716</i>
Loss Adjustments for Previous Years	0
Total Loss Expenses	3,732,934 <i>3727994</i>
ADMINISTRATION EXPENSES	
Auto Expenses	7,500
Broker Fees	80,000
Board Expenses	10,000 <i>8000</i>
Copying Costs	1,500 <i>1200</i>
Data Processing	4,000
Dues, Subscriptions	1,500
Expenses Paid to UAC	62,260
Loss Control / Training	14,000
Office Supplies	3,000 <i>2500</i>
Other Expenses	48,300 ✓
Other Insurance	2,000 <i>1500</i>
Postage	3,000 <i>1000</i>
Professional Fees	30,255 ✓
Printing	1,000
Staff Expenses	17,500
Staff Salaries	182,137
Staff Retirement	40,580
Staff FICA	14,304
Staff Medical Insurance	32,340
Telephone	5,500
Total Administration Expenses <i>637,720</i>	560,676 <i>555376</i>
Total Losses and Expenses	4,293,610 <i>4283370</i>
NET INCOME	139,658 <i>149,898</i>

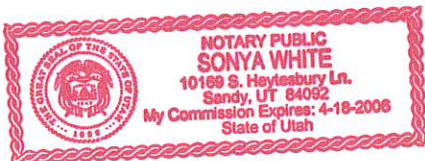
STATE OF UTAH)
)
:ss
COUNTY OF SALT LAKE)

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.
2. That the Affiant, on or about the 28 day of August, 2002, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Utah Code Annotated, 1953, as amended.
3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental condition of an individual.
4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

DATED this 28 day of August, 2002.


GARY R. HERBERT, President
Utah Association of Counties Insurance Mutual

On the 28 day of August 2002, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.



Residing at:

My Commission Expires: